

CITY OF DONNELSON

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2019 THROUGH JUNE 30, 2020**

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City of Donnellson

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Ellingboe	Mayor	January 1, 2022
Jan Fraise	Council Member	January 1, 2020
Brian Moeller	Council Member	January 1, 2020
Kevin Schneider	Council Member	January 1, 2022
Jennifer Estrada	Council Member	January 1, 2020
Selissa Weber	Council Member	January 1, 2020
Rebecca Schau	City Clerk	Indefinite
Greg Johnson	City Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Ellingboe	Mayor	January 1, 2022
Jan Fraise	Council Member	January 1, 2024
Brian Moeller	Council Member	January 1, 2022
Kevin Schneider	Council Member	January 1, 2022
Jennifer Estrada	Council Member	January 1, 2024
Selissa Weber	Council Member	January 1, 2022
Rebecca Schlau	City Clerk	Indefinite
Greg Johnson	City Attorney	Indefinite

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

I performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Donnellson for the period July 1, 2019 through June 30, 2020, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Donnellson's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I observed surety bond (or insurance) coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I observed the City's fiscal year 2019 Annual Financial Report (the Report that was due during the fiscal year under examination) to determine whether it was completed and accurately reflects the City's financial information.
7. I scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.

9. I scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. The City had no TIF.
11. I traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. I traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I traced transfers between funds to proper authorization and accurate accounting and determined whether transfers were proper.
15. I traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. I observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various findings and recommendations for the City. My findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Donnellson during the course of the agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, I would be pleased to discuss them with you at your convenience.

Ted M. Wiegand, CPA

October 30, 2020

City of Donnellson

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Separately Maintained Records – Separate accounting records are maintained for the Public Library. These transactions and resulting balances are not included in the City's computerized accounting records. The City Clerk consolidates the two sets of records when completing the annual financial report.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

- (C) Clerk's Report to City Council – During fiscal year 2020, the Clerk provided the City Council with a report comparing actual disbursements with budget by function on a quarterly basis.

Recommendation – The City Clerk should provide the City Council with a report comparing actual disbursements with budget by function every month so that the Council is able to effectively monitor the budget and amend it timely if necessary.

- (D) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements exceeded the budget.

City of Donnellson

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (E) Business Transactions – Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Ellingboe, Mayor, owner of Donnellson Tire and Service	Fuel and repairs	\$ 2,559

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (F) Outstanding Obligations Report – The City issued a Water Revenue Note April 1, 2020 in the amount of \$670,000. The outstanding balance of the Water Revenue debt was \$667,906 as of June 30, 2020. The amount reported on the Outstanding Obligations Report to the State Treasurer as of June 30, 2020 was incorrectly reported as \$666,368, as the Clerk seems to have inadvertently deducted the interest component of the payment of \$1,538 from the balance, in error.

Recommendation – The City Clerk should ensure outstanding obligations are correctly reported on the fiscal year 2021 report.

- (G) Inter-fund Transfer Approvals – Various inter-fund transfers made during fiscal year 2020 were not approved by fund transfer resolution.

Recommendation – Inter-fund transfers should be approved by the Council. Since April 17, 2019, an approved fund transfer resolution by the Council is required. The Council should pass a fund transfer resolution for any inter-fund transfers in the future.